

William F. Buettner

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1 your opinion.
 2 A. I do not recall talking to
 3 Mr. Martin about his letter to Miss Taylor at
 4 all.
 5 Q. Do you recall talking to anybody at 09:22:19
 6 AHERF about Mr. Martin's letter?
 7 A. No, I don't.
 8 Q. Thank you.
 9 Let me ask you to look at the 1997
 10 audited financial statements with me for a 09:22:57
 11 moment. Mr. Buettner, they were marked early
 12 on in the litigation as Exhibit 58. I imagine
 13 you've seen these a number of times before
 14 today?
 15 A. Yes. 09:23:18
 16 Q. Let me ask you to look with me at
 17 just one page for now, which is the report of
 18 independent accountants on consolidated and
 19 combining -- and combining financial
 20 information. I think it's page 26 of the 09:23:35
 21 packet in its original page numbering.
 22 Are you with me?
 23 A. Yes, I'm on page 26.
 24 Q. Would you go ahead and just read to
 25 yourself that report which is a paragraph long, 09:23:54

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1 and then I'll have just a few questions about
 2 it for you.
 3 A. Okay, yes, sir.
 4 Q. Can you tell me if, first of all,
 5 the signature beneath the report is the Coopers 09:24:38
 6 & Lybrand firm signature but written in your
 7 hand?
 8 A. That's correct, yes.
 9 Q. That's the same signature that
 10 appears on the report for the -- the report of 09:24:46
 11 independent accountants, which is on the third
 12 page of the exhibit or page one at the bottom?
 13 A. Yes, I signed both letters.
 14 Q. Now back to page 26, sir.
 15 About two-thirds of the way through 09:25:04
 16 the paragraph, a sentence reads -- actually
 17 it's the last sentence, I believe, of the
 18 report. Let me correct myself.
 19 That sentence reads, "The
 20 supplementary consolidating financial 09:25:20
 21 information has been subjected to the auditing
 22 procedures applied in the audit of the
 23 consolidated audited financial statements and,
 24 in our opinion, is fairly stated in all
 25 material respect in relation to the 09:25:35

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1 consolidated financial statements taken as a
 2 whole."
 3 I've read that accurately?
 4 A. Yes, sir.
 5 Q. I made a mistake yesterday, so I'm 09:25:43
 6 trying to up my average again today.
 7 My question is I think fairly
 8 simple, the first one anyway, the supplementary
 9 consolidating financial information referred to
 10 in this report is what? 09:25:57
 11 A. It would be the information
 12 attached to this booklet, if you want to call
 13 it that, that's beginning on page 27 and
 14 continuing through page, is that 41 or 42?
 15 Q. It looks like 42. But the last 09:26:20
 16 page of the exhibit, in any event?
 17 A. Yes.
 18 Q. Which I think has a Bates label at
 19 the bottom which ends with the digits 936?
 20 A. Yes. 09:26:29
 21 Q. Thank you, sir.
 22 Where did the language that's
 23 contained in this paragraph come from, if you
 24 know?
 25 A. This paragraph is consistent with 09:26:46

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1 guidance that you would see in either the
 2 statement on auditing standards reporting for
 3 consolidating and combining information within
 4 the statement on auditing standards, or within 09:27:00
 5 the C&L audit manual that would address the
 6 same subject matter.
 7 Q. I understand you've said it was
 8 consistent with. Do you know that to be the
 9 source for the language?
 10 A. Yes, yes. 09:27:14
 11 Q. Who prepared that language that you
 12 then signed, if you know today?
 13 A. It would be the engagement team. I
 14 can't tell you which individual specifically,
 15 but it would be the in-charge or the manager. 09:27:26
 16 Q. Do you recall commenting on the
 17 language or making edits to the language before
 18 its final version and your signature was
 19 applied?
 20 A. I would have reviewed the language. 09:27:40
 21 I do not recall specific comments, but I would
 22 have reviewed the language and compared it to
 23 the technical standards that existed within the
 24 C&L policy requirements and the statement on
 25 auditing standard requirements. 09:27:57

7 (Pages 575 to 578)

William F. Buettner

<p style="text-align: right;">Page 579</p> <p>1 I do not remember making changes, 2 but I would have reviewed it and compared it to 3 the authoritative literature. 4 Q. Was it your understanding that this 5 report on this page and the consolidating 09:28:09 6 information to which it refers was necessary to 7 satisfy the reporting requirements of the 8 various lenders for the various obligated 9 groups at AHERF? 10 MR. RYAN: Could I get that read 09:28:25 11 back, please? 12 13 (Record read.) 14 MR. RYAN: Thank you. 15 A. Yes, my conclusions were based on 09:28:49 16 the conclusions of Mr. Zimmerman that this 17 reporting format would meet certain reporting 18 requirements for the obligated groups. I 19 believe the obligated groups had other 20 reporting requirements, but there was one 09:29:07 21 specific reporting requirement outlined in 22 Mr. Zimmerman's letter, and this document 23 helped AHERF management meet that reporting 24 requirement. 25 Q. What specific reporting requirement 09:29:19</p>	<p style="text-align: right;">Page 581</p> <p>1 structure within the AHERF system, certain 2 substantive tests and analytical procedures we 3 would perform on information provided to us by 4 management, interviews of management, client 5 representations or management representations 09:31:05 6 on certain key matters, as well as obtaining 7 representations from outside third parties such 8 as attorneys and so on. 9 So those audit procedures provided 10 us with a platform, if you will, to reach 09:31:18 11 conclusions on the reasonableness of the 12 consolidated financial statements. 13 Those same audit procedures were, 14 in effect, useful in helping us review the 15 consolidating and combining financial 09:31:35 16 information that was attached to this 17 consolidated financial statement package AHERF 18 had prepared because, in effect, the audit 19 procedures were performed on AHERF activities 20 across the system, and that would include the 09:31:52 21 activities of these -- of some of these 22 organizations here or these organizations 23 listed in these schedules. 24 Q. Did you ever discuss the purpose of 25 the report on the consolidating information 09:32:11</p>
<p style="text-align: right;">Page 580</p> <p>1 do you refer to? 2 A. Well, it would be the reporting 3 requirement in terms of audited financial 4 information or financial information from the 5 client in terms of the AHERF system. And 09:29:36 6 Mr. Zimmerman outlined how that reporting 7 requirement could be met by providing an 8 audited consolidated financial statement for 9 AHERF. 10 Q. When you reviewed and then signed 09:29:59 11 the report and the language included in it 12 which read that the supplementary consolidating 13 financial information has been subjected to the 14 auditing procedures applied in the audit for 15 the consolidated financial statements, what did 09:30:17 16 that mean to you, the phrase "has been 17 subjected to the auditing procedures applied in 18 the audit of the consolidated financial 19 statements"? 20 A. Well, obviously audit procedures 09:30:29 21 were performed for us to reach our opinion, if 22 you will, on the consolidated financial 23 statements. Those audit procedures would 24 include inquiry and observation of management 25 actions, testing of the internal control 09:30:47</p>	<p style="text-align: right;">Page 582</p> <p>1 which appears at page 26 with any members of 2 the audit committee? 3 A. Yes, that discussion -- that item 4 was discussed with the audit committee during 5 both the planning phase audit committee 09:32:29 6 meeting, which occurred, I believe, in the 7 spring of '97, as well as at what I would call 8 the fall meeting, which occurred, I guess, in 9 October. 10 Q. What do you recall telling them 09:32:45 11 about the purpose of this report, if anything 12 today? 13 A. First of all, the discussion was 14 both from management as well as from Coopers & 15 Lybrand. 09:32:55 16 Q. Who at management participated? 17 A. I believe it was Mr. McConnell, but 18 my recollection is not a hundred percent on 19 that, but I believe it was Mr. McConnell. 20 Q. What did you say is what I'm 09:33:10 21 interested in. 22 A. Well, there were certain points 23 that Mr. McConnell brought up regarding reasons 24 for the change. And I believe at the spring 25 meeting there was a discussion, for this to 09:33:24</p>

8 (Pages 579 to 582)

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1 work, it was necessary for the system to
 2 research the impact it would have on the bond
 3 trustees or these Obligated Group reporting
 4 issues.
 5 I basically concurred with the 09:33:42
 6 presentation or the outline of the facts that
 7 Mr. McConnell provided to the Committee in the
 8 spring meeting, as well as at the fall meeting.
 9 Q. Mr. Buettner, I'm handing you what
 10 we've marked as Exhibit 4404, which is, I 09:34:23
 11 believe, an excerpt again from the Business
 12 Assurance Manual, this one being section 440,
 13 Reports on Consolidating Information. The
 14 exhibit number again is 4404, I guess, almost
 15 coincidentally. 09:34:47
 16 Could you take a moment to look at
 17 least the first two pages, which is the only
 18 pages -- which are the only pages I'll have
 19 questions on, but review what you need to and
 20 then I'll have a few questions on this for you. 09:34:58
 21 A. Sure.
 22 Okay.
 23 Q. Thank you, Mr. Buettner.
 24 My question is only, really, I
 25 think, a section called Supplementary Data 09:37:47

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1 Qualified Because of a Departure From GAAP,
 2 which is apparently on the second page of the
 3 document which ends in the Bates digits 165.
 4 Do you see that section?
 5 A. Yes. 09:38:02
 6 Q. It has apparently a few
 7 subsections, but subsection .6 is the one I'm
 8 particularly interested in. It reads, in part,
 9 "When we report on consolidating financial
 10 statements as supplementary data and we are 09:38:16
 11 aware that one or more of the individual
 12 statements contain a departure from Generally
 13 Accepted Accounting Principles, GAAP, that is
 14 material to the individual company but not to
 15 the consolidated group, our responsibilities 09:38:32
 16 are not different from when we are aware of a
 17 material departure from GAAP in any other
 18 financial statements with which we are
 19 associated."
 20 Did I read the first sentence 09:38:47
 21 accurately?
 22 A. Yes.
 23 Q. Whenever we -- I'm sorry, "Whenever
 24 financial statements depart materially" --
 25 "materially from GAAP and they're not 09:38:54

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1 appropriately revised by the client, we are
 2 required to issue a qualified or an adverse
 3 opinion."
 4 Is that what the second sentence
 5 says? 09:39:04
 6 A. Yes.
 7 Q. Did you review this section of the
 8 Business Assurance Manual in connection with
 9 your review or planning for the signature or
 10 signing off on the report marked as Exhibit -- 09:39:21
 11 marked as 26 of Exhibit 58?
 12 A. No, I don't recall specifically
 13 looking at this section. I was aware of the
 14 existence of the section just based on my
 15 experience as a partner. 09:39:37
 16 Q. Does this section -- strike that.
 17 What does supplementary data mean
 18 to you?
 19 A. Well, supplementary data would
 20 include schedules of information that are not 09:39:52
 21 readily available when one reviews a
 22 consolidated financial statement. It may be
 23 information that's required by, let's say in an
 24 SEC filing, quarterly reporting information,
 25 things of that nature. 09:40:16

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1 Q. Did you consider the schedules
 2 attached after page 26 to the report on page 26
 3 in Exhibit 58 to be supplementary data in 1997?
 4 A. It's financial information. I
 5 don't know if I necessarily would indicate that 09:40:32
 6 it's supplementary data, but it's information
 7 that from my perspective is not readily
 8 available from reviewing the consolidated
 9 financial statements. But I don't believe it
 10 would necessarily fall under the definition of 09:40:50
 11 supplementary data that you would find in the
 12 statement and auditing standards, let's say.
 13 Q. The paragraph also relates to
 14 supplementary information, or it refers to it.
 15 It reads in the sentence that follows, 09:41:01
 16 "Therefore, in such instances, our opinion on
 17 the supplementary information should be
 18 appropriately modified." And it continues.
 19 Do you believe that the schedules
 20 attached to your report on page 26 of Exhibit 09:41:15
 21 58 are supplementary information?
 22 A. Yes.
 23 Q. So do you think this section 440.6
 24 on supplementary data qualified because of a
 25 departure from GAAP would apply to the 09:41:30

9 (Pages 583 to 586)

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1 and things that we would have to get done,
 2 either remaining work for preliminary or things
 3 that we would have to look at for year-end.
 4 Q. What do you recall hearing about or
 5 discussing with respect to the aging versus the 10:11:04
 6 reserve, if anything, today?
 7 A. I don't recall anything -- anything
 8 specific.
 9 Q. Do you recall anything about
 10 revenue problems or bad debt -- rather, bad 10:11:18
 11 debt problems at Hahnemann University Hospital
 12 or MCP Hospital?
 13 A. I don't recall any specific
 14 conversation.
 15 Q. What about the item under bad debt 10:11:29
 16 which starts or reads, rather, "Charged off
 17 against 80 million"? What do you recall about
 18 conversations on that topic, if anything,
 19 today?
 20 A. Nothing specific. 10:11:47
 21 Q. Do you recall -- I'm sorry, go
 22 ahead.
 23 A. At some point in time, I believe
 24 before this meeting, I learned the AHERF
 25 management had charged off around 80 million 10:11:59

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1 dollars of receivables.
 2 Q. Charged off means written off the
 3 books?
 4 A. Yes, written off of the, in effect,
 5 written off of what I would call the A/R 10:12:11
 6 subsidiary ledger.
 7 Q. Which subsidiaries did you
 8 understand to be involved as of this time
 9 period, June of '97?
 10 A. When I say subsidiary ledger, I'm 10:12:20
 11 not talking about a company. I'm talking
 12 about -- there's a term within the, let's say
 13 the bookkeeping kingdom, if you will, that you
 14 have a general ledger and then you have
 15 subsidiary ledgers. 10:12:39
 16 So in this particular case, the
 17 accounts receivable detailed listing or
 18 accounts receivable subsidiary ledger
 19 charge-offs occurred so that the names of the
 20 individuals whose accounts were being charged 10:12:51
 21 off would be eliminated from those subsidiary
 22 ledgers. That's what I meant.
 23 Q. Thank you. Thank you.
 24 My question, then, I need to
 25 rephrase. 10:13:00

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1 Did you have an understanding in
 2 June of '97 about which sets of hospitals,
 3 which sets of AHERF hospitals were involved in
 4 having 80 million dollars of accounts
 5 receivable written off? 10:13:13
 6 A. I believe my understanding at the
 7 time was that that was related to the eastern
 8 operations, and that would include the
 9 write-off of certain accounts, if you will,
 10 that were maintained on old systems because of 10:13:31
 11 systems conversion.
 12 Q. Was that the PATCOM system that
 13 you're referring to there?
 14 A. Yes. I didn't write it here, but
 15 that was my understanding, that that was a part 10:13:39
 16 of the 80 million.
 17 Q. That PATCOM system was in place at
 18 some point at hospitals that were members of
 19 the Delaware Valley Obligated Group, is that
 20 correct? 10:13:52
 21 A. Yes, I believe that's the case.
 22 Q. When there is a charge-off or a
 23 write-off of accounts receivable, what happens
 24 with the bad debt reserve?
 25 A. Well, it would -- management can 10:14:05

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1 actually handle a charge-off in two different
 2 ways. The first method is to write off the
 3 account off of, again, the subsidiary accounts
 4 receivable ledger. So you're eliminating
 5 people's names in terms of potential debtors to 10:14:22
 6 the organization.
 7 When you write it off, you reflect
 8 that write-off via a reduction of your
 9 allowance for uncollectible accounts or bad
 10 debt reserve. 10:14:35
 11 Another methodology that you could
 12 follow is to write off the receivable in a
 13 similar fashion but, instead of reducing the
 14 reserve, simply charge it against the bad debt
 15 expense of the organization for that particular 10:14:50
 16 year.
 17 Q. The bad debt expense is reflected
 18 on the income statement?
 19 A. Yes.
 20 Q. Do you have a recollection today as 10:14:56
 21 to which of those options, if either, AHERF
 22 employed?
 23 MR. RYAN: For the 80 million?
 24 MR. JONES: Yes.
 25 A. I can't tell you. 10:15:09

13 (Pages 599 to 602)

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1 Q. Did a charge-off of that size cause
2 you some concern?
3 A. No. The organization historically
4 charged off amounts. The amounts were, in
5 1997, the 80 million dollars was larger than 10:15:39
6 what you would have seen let's say in previous
7 years. But it wasn't an unusual activity.

8 Historically you would see
9 charge-offs in the 40, 50 million dollar range,
10 let's say. So it was larger. But it -- it did 10:16:04
11 not provide me with concern as you asked me as
12 an item we would consider in terms of our
13 additional audit work.

14 Quite frankly, I viewed it as an
15 action that in a way gave me some comfort that 10:16:21
16 management was attempting to address these
17 accounts receivable problems that were
18 lingering. So from an auditor's perspective,
19 it gave me comfort that they're attempting to
20 address this issue on a variety of fronts. 10:16:43

21 Q. Do you recall the risk assessment
22 for accounts receivable in 1997 for your audit
23 work?

24 A. In our planning document?

25 Q. Yes. 10:16:55

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1 A. I'm not sure if it was low or below
2 the max. My -- I just can't remember.

3 Q. Do you know as you sit here today
4 who took the lead at the managerial level on
5 the engagement team in accounts receivable for 10:17:14
6 fiscal year '97?

7 A. I believe that was Amy Frazier.

8 - - - - -
9 (Thereupon, Deposition
10 Exhibit 4473 was marked for
11 purposes of identification.)
12 - - - - -

13 Q. Mr. Buettner, I'm handing you
14 Exhibit 4473. I believe you've seen this
15 document before. But the first page of it is a 10:18:02
16 typewritten document headed Allegheny Health,
17 Education and Research Foundation, 1997 audit
18 update, October 1, 1997. And then there are a
19 series of pages that follow, some of them
20 typewritten and some of them are handwritten 10:18:22
21 schedules.

22 Could you do me the favor of
23 looking at the document, and take a few moments
24 if you need it, and let me know if the
25 handwriting you believe to be all yours. 10:18:34

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1 A. Okay.

2 Q. Do you believe the handwriting on
3 the document is all yours, sir?

4 A. Yes, I do.

5 Q. Was this handwriting placed on the 10:19:45
6 document all at one time or at different times?

7 MR. RYAN: You mean all of the
8 pages?

9 MR. JONES: Yes.

10 Q. If you know. 10:19:55

11 A. At different times.

12 Q. Let me ask you then in particular,
13 do you know when you did the handwriting that
14 appears at pages 36437, 36438, and the pages
15 that follow through to 36443? So it's 437 10:20:17
16 through 443.

17 A. These documents would have been
18 prepared at various times during what I would
19 call the wrap-up phase or the final review
20 phase of the AHERF engagement. 10:20:47

21 I can't put specific dates on them,
22 but some would be as, perhaps, as early as the
23 end of August and others would be sometime in
24 September or early October.

25 Q. Of 1997? 10:21:04

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1 A. Yes. Yes.

2 Q. The wrap-up you referred to was the
3 wrap-up of the '97 audit?

4 A. Well, wrap-up of what I would call
5 a draft -- final draft report going to the 10:21:16
6 audit committee, yes.

7 Q. That occurred in October?

8 A. Yes.

9 Q. Of '97?

10 A. Yes, yes. 10:21:24

11 Q. So all of these notes on the pages
12 I just mentioned would have been penned before
13 the audit committee meeting?

14 A. Yes. Yes. Well, I would say 99
15 percent of them. I can't speak to every -- 10:21:38
16 every item because at the end of the

17 engagement, these things ended up in my notes
18 with the audit committee book as well. I
19 continued to use this document as we went
20 through subsequent events review and a final 10:21:51
21 disposition of various issues and eventual
22 release of the audit report after the holidays
23 in 1997.

24 Q. Is there anything in the notes from
25 the beginning of the document to the end that 10:22:09

14 (Pages 603 to 606)

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1 you now see and recall as being penned after
 2 October of -- after the audit committee meeting
 3 in October of 1997?
 4 A. Well, for instance, on page 433.
 5 Q. Do you believe that to have been 10:22:28
 6 penned after the October audit committee
 7 meeting?
 8 A. No, no. But there are two or three
 9 numbers that are scratched out and then numbers
 10 circled. I believe I got that information at a 10:22:36
 11 later date. All I did was just update the
 12 schedule here because I was using this as --
 13 this information, if you will, during some
 14 subsequent events work as well.
 15 Q. Any other set of handwriting that 10:22:50
 16 you believe was added after October -- the
 17 October audit committee meeting?
 18 A. I can't remember specifically, no.
 19 Q. Let me ask you to look in
 20 particular now at pages 438 and 439. Do you 10:23:03
 21 know if these were penned in August of 1997?
 22 A. Probably a little later as I was
 23 going through some sort of what I would call
 24 top side review of financial statements.
 25 Q. When you say a little later, does 10:23:26

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1 that mean early September 1997?
 2 A. No. Well, sometime in September or
 3 early October.
 4 Q. Is that your best approximation?
 5 A. Yes, yes. 10:23:39
 6 Q. That's of 1997?
 7 A. Yes.
 8 Q. Thank you.
 9 Was this typewritten portion of the
 10 document, which apparently has one, two, three, 10:23:59
 11 forgive me here, four, five, six pages, and
 12 they're not all in order in the exhibit, but
 13 six pages of typewritten text, was it prepared
 14 for a meeting?
 15 A. Yes. Well, yes, it was prepared 10:24:18
 16 for a meeting and also to assist the managers
 17 and partners in performing, again, what I would
 18 call this top side review of the financial
 19 statements. We prepared a similar document in
 20 '96. 10:24:37
 21 The engagement team would prepare
 22 this. I don't know if this is the final
 23 draft -- final copy of the document. There
 24 were various drafts. I believe I was given an
 25 earlier draft and I was using it as I was 10:24:46

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1 trying to put together some additional analysis
 2 for the audit committee meeting in performing
 3 my review of the financials.
 4 Q. So you were using the typewritten
 5 version that does -- the typewritten pages that 10:24:56
 6 do appear in Exhibit 4473 in connection with
 7 your review of the draft financial statements
 8 and to prepare for the audit committee meeting?
 9 A. Yes, yes.
 10 Q. Thank you. 10:25:09
 11 I'm going to ask -- going to ask
 12 you to look at page 431 for a minute.
 13 Do you see about midway down the
 14 page there's a bullet point that reads, "Also
 15 during 1997, the AHERF system adopted a uniform 10:25:26
 16 bad debt reserve methodology." Then it
 17 continues. Do you see that?
 18 A. Yes.
 19 Q. Do you recall that being the case?
 20 A. Yes, they, "they" being AHERF 10:25:41
 21 management, attempted to implement the comment
 22 that we had given to them I guess in 1995
 23 originally.
 24 Q. Do you recall that the new
 25 methodology involved the application of new 10:25:54

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1 percentages to aging buckets of receivables?
 2 A. I do not believe that that was the
 3 case, but I'm not a hundred percent sure.
 4 Q. Did you believe at this point in
 5 October of 1997 that the old methodologies were 10:26:11
 6 inadequate for their purpose in prior fiscal
 7 years?
 8 MR. RYAN: Could I have that read
 9 back, please?
 10
 11 (Record read.)
 12 A. No.
 13 Q. Do you know who developed the new
 14 methodology or the new percentages?
 15 A. I can't tell you specifically who 10:26:42
 16 at AHERF performed that work.
 17 Q. Can you tell me by department at
 18 AHERF?
 19 A. No, I really can't.
 20 Q. So you don't know who it was? 10:26:49
 21 A. No.
 22 Q. Had you worked with Dan Cancelmi
 23 when he was at Coopers & Lybrand?
 24 A. Yes.
 25 Q. What was your estimation of him as 10:27:00

15 (Pages 607 to 610)

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1 an accountant and an auditor as of October of
2 1997?

3 A. I viewed him as being a very
4 bright, hard working individual who understood,
5 from a technical perspective, the accounting 10:27:16
6 requirements, external reporting requirements.

7 Q. Had you worked with him on AHERF
8 audits?

9 A. Yes, he was my manager on the AHERF
10 audit for a year or two. 10:27:32

11 Q. Do you believe that the patient
12 financial services group would -- strike
13 that -- should have been involved in developing
14 any bad debt methodology for AHERF hospitals?

15 MR. JONES: The Bells of St. Mary's 10:27:56
16 have rung again. Let's hold for a minute.

17 MR. CLOSE: I'm sorry.

18 MR. JONES: We're even.

19 MR. RYAN: That's what I was
20 thinking, one to one. 10:28:04

21 Q. Let me give you that question
22 again.

23 A. Fine.

24 Q. You had familiarity with a
25 department at AHERF, sir, called the patient 10:28:11

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1 financial services group. Is that fair to say?
2 A. Yes.

3 Q. They were involved in billing and
4 collections, among other things?

5 A. Yes. 10:28:22

6 Q. Did you, during your audit work at
7 AHERF, believe they were a group that should
8 have been involved in developing any bad debt
9 reserving percentages or methodology in place
10 at AHERF? If you didn't have a belief one way 10:28:35
11 or the other, you can tell me that, too.

12 A. During 1997 you're asking me?

13 Q. During your audit work, did you
14 ever form a belief?

15 A. No, I did not. 10:28:49

16 Q. Have you a belief today whether
17 they would have been an appropriate group to be
18 involved in developing the reserve percentages
19 or methodology for bad debt reserving at AHERF?

20 A. As of today I'm still not sure if 10:29:03
21 they would have been an appropriate group. I
22 don't know.

23 Q. Did you form any conclusions
24 yourself about the appropriateness of the new
25 methodology at any time? 10:29:15

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1 A. I thought the methodology adopted,
2 which, from my understanding, was very
3 consistent with the AGH methodology that
4 Allegheny General had used for a number of
5 years, was an appropriate methodology. 10:29:31

6 Q. Mr. Buettner, at some point you
7 became aware that AHERF had booked entries,
8 accounting entries in connection with the
9 acquisition of the Graduate hospitals that
10 effectively transferred 50 million dollars' 10:30:02
11 worth of reserves to the Delaware Valley
12 Obligated Group hospitals, which had the effect
13 of increasing the bad debt reserve at those
14 hospitals. Am I right?

15 A. Yes. 10:30:19

16 Q. When is it that you first became
17 aware of that?

18 A. Sometime during the year-end work
19 that we had -- we were performing -- "we" being
20 C&L -- we were performing at AHERF, late July, 10:30:35
21 early August of 1997.

22 Q. That's your best estimate, late
23 July, early August?

24 A. Yes.

25 Q. How is it that you became so aware? 10:30:48

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1 A. My engagement team informed me of
2 the fact that they had discovered these
3 transfers or were told about these transfers.

4 Q. Who on the engagement team told
5 you? 10:31:01

6 A. Amy Frazier.

7 Q. Do you recall where you were when
8 she told you?

9 A. I think it was during a visit
10 over -- a visit of mine over at the work site 10:31:13
11 over at the AHERF finance area. And the
12 engagement team was over there working and I
13 had come in to see how the year-end had started
14 and what type of progress we were making,
15 things of that nature. 10:31:26

16 Q. Do you recall what she said when
17 she told you? Let me ask you to hold that
18 thought for a minute because I want to ask one
19 question first.

20 Do you recall whether anyone else 10:31:45
21 was present?

22 A. No. It was -- we were in a working
23 space cubicle area where Coopers' folks were,
24 in effect, stationed. I'm not sure if there
25 were other people from C&L around or not when 10:31:56

16 (Pages 611 to 614)

William F. Buettner

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1 we had this conversation. I simply can't
2 remember.
3 Q. What is it now that you do recall
4 her telling you?
5 A. She was going through her 10:32:08
6 assessment, if you will, preliminary assessment
7 of some of the purchase adjustments, I guess.
8 We were trying to get information on the
9 purchase adjustments for Graduate.
10 That was an item that was an 10:32:22
11 important item for us and an item that had
12 been -- that we had been asking the client for
13 since probably May or June or -- and we were
14 just starting to get some information.
15 I guess through that initial 10:32:42
16 investigation, she became aware of this 50
17 million dollar reserve that had been created as
18 part of the Graduate purchase adjustments.
19 The intent to, I believe, based on
20 the document she showed me, to be transferred 10:33:02
21 to DV A/R, I believe, was that what the
22 document said, or something to that effect.
23 Q. She showed you a document?
24 A. There was a memo, I believe, from
25 an AHERF -- an AHERF memo and she was sort of 10:33:19

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1 using that memo to -- as a focal point in terms
2 of providing -- or performing her purchase
3 adjustment work, if you will. That's the
4 document that she showed me.
5 Q. This was a memo from Mr. Cancelmi 10:33:35
6 dated roughly June of 1997?
7 A. I can't remember what the date of
8 the memo was.
9 Q. Do you recall it was a memo from
10 Mr. Cancelmi? 10:33:46
11 A. I think it was, yes.
12 Q. Did you -- did she tell you how she
13 came to have the memo in this first
14 conversation?
15 A. I don't remember. 10:33:59
16 Q. What did you say, if anything, in
17 response to her telling you this?
18 A. I basically told her that they
19 couldn't do that. I mean, just from a -- they
20 couldn't move a purchase transaction over and 10:34:15
21 use it for bad debt reserve at Delaware Valley.
22 Q. Did you give her any instructions
23 after telling her that?
24 A. I told her to talk to Dan about it
25 and tell her -- tell him that we wouldn't 10:34:25

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1 accept the reserves over the Delaware Valley.
2 Q. Do you remember any more -- do you
3 remember anything more about that conversation?
4 MR. RYAN: The one he had with Amy?
5 MR. JONES: Yes. 10:34:44
6 A. We talked about a variety of other
7 items.
8 Q. I'm sorry, let me give you a little
9 more focus.
10 A. Okay. 10:34:54
11 Q. Do you remember any more
12 discussions that you had about this reserve
13 transfer issue with Amy during this first
14 conversation?
15 A. No, no. 10:35:01
16 Q. Was your initial reaction that
17 these transfers were violations of GAAP or
18 would have violated GAAP?
19 A. Well, my initial reaction was to
20 provide or to get additional information so I 10:35:21
21 could provide some sort of guidance to my staff
22 and reach a conclusion.
23 Q. But you just said you told Amy to
24 tell Dan that we wouldn't accept it. So your
25 initial reaction was that there was at least a 10:35:33

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1 problem here?
2 A. Well, my initial reaction, as I
3 said, is that we would not accept the use of
4 those reserves in evaluating the Delaware
5 Valley accounts receivable. 10:35:45
6 Q. Do you believe that the entries or
7 the series of accounting transactions violated
8 GAAP today?
9 A. Oh, yes, yes.
10 Q. You believed it at the conclusion 10:35:58
11 of your '97 audit work, is that fair to say?
12 A. Yes, I believe that the transfers
13 in and of themselves were a departure from
14 GAAP.
15 Q. Did you ever tell anyone at AHERF 10:36:12
16 that you believed that they were a departure
17 from GAAP?
18 A. Yes, we told people at AHERF.
19 Q. Did you?
20 A. No. I mean, Amy had, my 10:36:25
21 understanding, numerous conversations with
22 Cancelmi. I'm not sure if anyone else was in
23 the room with them when they went through that
24 discussion. But it was -- they were well aware
25 that we would not accept the premise that they 10:36:42

17 (Pages 615 to 618)

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1 could use those reserves to support the bad
2 debt reserves at the Delaware Valley.
3 Q. They were well aware, if they were
4 well aware, from conversations with Amy as far
5 as you know? 10:36:58
6 A. Yes.
7 Q. Did you ever tell anyone at AHERF
8 that you were aware of the reserve transfers?
9 MR. RYAN: This one that we --
10 MR. JONES: The 50 million dollars 10:37:11
11 that we've just been speaking of.
12 A. I can't recall discussing it with
13 anyone else.
14 Q. Do you recall discussing with
15 anyone on the audit committee or any member of 10:37:17
16 the Board of Trustees at AHERF?
17 A. At what point in time?
18 Q. Through June -- June of '98.
19 Let's make that May of '98 because
20 I see where you're thinking. 10:37:36
21 A. Yes. Yes.
22 Q. Did you ever discuss the fact that
23 the reserve transfers in the 50 million dollar
24 amount we've been discussing occurred with
25 anyone on the audit committee or the Board of 10:37:45

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1 Trustees at AHERF before June of '98?
2 A. No.
3 During our audit committee meetings
4 in October of '97, for instance, I was aware of 10:38:03
5 the transfer. But by then I had completed
6 sufficient audit work and had concluded that
7 the transfers were not material and did not
8 warrant disclosure to the audit committee.
9 Q. Did you share your discovery from
10 Miss Frazier about these 50 million dollars of 10:38:52
11 reserve transfers with the concurring partner
12 on the engagement at any time during the '97
13 audit work?
14 A. I did not. It's my understanding
15 that Amy discussed the purchase transactions 10:38:57
16 for Graduate, Forbes and Allegheny Valley with
17 the concurring partner and that that would have
18 been included in those discussions.
19 Q. How did you come to that
20 understanding? 10:39:10
21 A. Just based on my discussions with
22 Amy. I mean, I -- what had happened is we had
23 a meeting set up where the three of us would
24 get together to go through a preliminary
25 review. The three of us being the concurring 10:39:23

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1 partner, myself and Amy.
2 We were going to attempt to do that
3 over at the AHERF financial department, if you
4 will, while the staff was still trying to wrap
5 up some work. Unfortunately I guess another 10:39:36
6 client matter pulled Mr. Hoover away, couldn't
7 make that commitment, so Amy met with
8 Mr. Hoover at a later date.
9 Q. Did you discuss the fact of these
10 50 million dollars of reserve transfers with 10:39:49
11 anyone else on the engagement team other than
12 Miss Frazier during the '97 audit work?
13 A. I simply can't -- I don't know. I
14 can't remember.
15 Q. Do you recall a meeting in early 10:40:32
16 April of 1997, within the first two weeks of
17 April of 1997, with Mr. McConnell and Mr.
18 Spargo at which the topic of potential
19 transfers of reserves established in connection
20 with the Graduate acquisition -- let me try 10:40:54
21 that question again.
22 Do you recall being in a meeting
23 with Mr. McConnell and Mr. Spargo within the
24 first two weeks of April 1997 at which the
25 topic of reserve transfers of any kind from the 10:41:10

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1 Graduate hospitals to the Delaware Valley
2 Obligated Group hospitals was raised?
3 A. I do not recall such a meeting.
4 Q. Do you recall ever hearing from Mr.
5 Kirstein in April or May of 1997 that he had 10:41:25
6 been approached by any member of AHERF
7 financial -- AHERF financial's department or
8 AHERF management about such a proposal?
9 A. No, I don't remember talking to
10 Mark about that. 10:41:43
11 Q. Do you ever recall discussing with
12 Mr. McConnell or Mr. Spargo at any time that
13 the Graduate acquisition afforded AHERF an
14 opportunity to remedy its bad debt reserve
15 issues in the Delaware Valley Obligated Group? 10:42:11
16 A. No.
17 Q. Or words to that effect?
18 A. No. I had discussions with Mr.
19 McConnell at some point in time. I can't place
20 it in April. And I also had discussions with 10:42:25
21 Mr. Spargo and Cancelmi at a much earlier date
22 about the possibility of going through a
23 restructuring at Graduate so that once the
24 Graduate organization was merged into AHERF,
25 that it would be accretive to the operations of 10:42:47

18 (Pages 619 to 622)

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1 party to a conference call on that date with
 2 these individuals at which the Graduate reserve
 3 transfers, as we've described them, or a
 4 proposal relating to the Graduate reserve
 5 transfers were discussed? 10:54:29
 6 A. No, I don't.
 7 Q. Do you recall discussing reserve
 8 transfers of any kind with -- related to the
 9 Graduate hospitals and the Delaware Valley
 10 Obligated Group hospitals or a proposal to make 10:54:47
 11 same with Mr. Cancelmi, Miss Frazier, or Mr.
 12 Kirstein at any time in April of 1997?
 13 A. I have no memory at all of talking
 14 to them about such a transaction. Would we
 15 have met during that time period? It's very 10:55:02
 16 possible. But I just can't remember ever
 17 discussing this issue with them at that point
 18 in time.
 19 Q. Do you see just below the halfway
 20 portion of the page where the note reads, "50 10:55:26
 21 million dollars reserves at Graduate, will have
 22 80 million C/O in DV by 6-30-97"?
 23 A. Yes, I see that.
 24 Q. Do you recall discussing anything
 25 related to that topic with these people or any 10:55:44

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1 one of them in April of '97?
 2 A. I just can't remember, no, I don't.
 3 Q. Do you ever recall at any time
 4 before late July or early August or early
 5 August of 1997 connecting the establishment of 10:56:01
 6 50 million dollars of reserves at the Graduate
 7 hospitals with the 80 million charge-off you
 8 knew to have occurred at the Delaware Valley
 9 Obligated Group hospitals?
 10 A. No, no. To this day I don't think 10:56:15
 11 I've made a connection between the two, to be
 12 honest with you.
 13 Q. Do you see the next bullet point
 14 there reads, "Placing reserves on Graduate
 15 entities to be used for DV A slash R at Y slash 10:56:26
 16 E or year-end"?
 17 A. Yes, I -- I can't read his scribble
 18 very well, but I think that's a fair depiction
 19 of what he's trying to put down.
 20 Q. Do you recall discussing that topic 10:56:47
 21 with Mr. Cancelmi, Mr. Buettner, Mr. Frazier --
 22 you're Mr. Buettner -- Mr. Cancelmi, Miss
 23 Frazier or Mr. Kirstein at any time before late
 24 July or early August of 1997?
 25 A. No, I don't. 10:56:59

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1 Q. Mr. Buettner, this is Exhibit 4258.
 2 It's a fairly short work paper with some
 3 Metadata, at least as we understand it, from
 4 the CLASS system attached to it.
 5 Do you recall ever seeing this 10:57:27
 6 document before today?
 7 A. No.
 8 Q. Do you see on the first page, the
 9 line about a third of the way down that reads,
 10 "How was the first 25 of the 50 million 10:57:59
 11 distributed to the entities, or did this occur
 12 in April?"
 13 Do you see that?
 14 A. Yes, I do.
 15 Q. Do you recall any discussions with 10:58:08
 16 anyone on the engagement team or anyone at
 17 AHERF regarding distributing 50 million dollars
 18 to various entities in any context before July
 19 or late July, early August of 1997?
 20 A. No, I do not. 10:58:26
 21 Q. Do you have an understanding or
 22 have you learned from any source why the author
 23 of this work paper or the authors would have
 24 been writing about this in May of '97?
 25 A. No, I haven't spoken to anyone 10:58:44

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1 regarding this matter, so I have no idea.
 2 - - - - -
 3 (Thereupon, Deposition
 4 Exhibit 4475 was marked for
 5 purposes of identification.)
 6 - - - - -
 7 Q. Mr. Buettner, I'm handing you now
 8 Exhibit 4475. I apologize, it slipped out of
 9 my hand.
 10 A. That's okay. 10:59:32
 11 Q. Is the handwriting on this AHERF
 12 update meeting dated June 20, 1997 yours?
 13 A. Yes.
 14 Q. Do you believe that you put the
 15 handwriting on this document around that date, 10:59:46
 16 that is, close in time to June 20, 1997?
 17 A. Yes.
 18 Q. Thank you, sir.
 19 Is this a format as we've seen
 20 before that was typically used when the 11:00:02
 21 engagement team got together and met as an
 22 agenda?
 23 A. Yes, the engagement team put
 24 together information in terms of the overall
 25 status of the engagement and where we stood as 11:00:14

21 (Pages 631 to 634)

William F. Buettner

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1 of the end of preliminary and would prepare
 2 this outline, if you will, of items to discuss.
 3 Q. Do you know who was in attendance
 4 at this June 20, 1997 AHERF audit update
 5 meeting? 11:00:30
 6 A. No, I do not.
 7 Q. Do you know if it took place on
 8 that day?
 9 A. No, I do not.
 10 Q. Do you know if any member of AHERF 11:00:37
 11 management or its finance department was in
 12 attendance?
 13 A. I am not certain. My best
 14 recollection is that some folks would be
 15 available from AHERF at this meeting, but I 11:00:51
 16 simply can't remember.
 17 Q. Do you see under the heading
 18 Accounts Receivable and Revenue Items you have
 19 written the words or abbreviations for the
 20 words Pittsburgh or PGH? 11:01:02
 21 A. Yes.
 22 Q. Levels down, "Reserves appear
 23 adequate"?
 24 A. Yes.
 25 Q. Is that a reference to that the bad 11:01:09

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1 debt reserves in Pittsburgh or for
 2 Pittsburgh-based hospitals appeared adequate?
 3 A. No, I don't think that would be
 4 reflective of only bad debt reserves. It would 11:01:25
 5 be the reserves for receivables that would also
 6 include CRAs, contractals, things of that
 7 nature.
 8 Q. Do you have a recollection of what
 9 you meant by the phrase "DV levels flat"?
 10 A. Well, DV would be the eastern part 11:01:37
 11 of the operations. I guess someone told me
 12 that based on our assessment to date or what
 13 we've seen the A/R levels were flat.
 14 Q. Did you use DV for a short form for
 15 the Delaware Valley Obligated Group? 11:01:54
 16 MR. RYAN: You mean here in this
 17 document?
 18 Q. Here and elsewhere during your work
 19 on AHERF audits.
 20 MR. RYAN: Objection. 11:02:01
 21 A. Well, I would use east versus west,
 22 DV, AGH, DVOG.
 23 In my day-to-day observations or
 24 communications with folks, I would not use the
 25 formal name for a number of these 11:02:19

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1 organizations. I mean, I normally would refer
 2 to things as to east and west, but sometimes I
 3 would use the word Delaware Valley.
 4 Q. You would use the word Delaware
 5 Valley or DV? 11:02:30
 6 A. Or the term Delaware Valley, I'm
 7 sorry.
 8 Q. Yes, use the term Delaware Valley
 9 or the initials DV for the Delaware Valley
 10 Obligated Group from time to time? 11:02:37
 11 A. Well, no. Delaware Valley would be
 12 a term for the east. It may or may not be
 13 Delaware Valley Obligated Group. It would be
 14 based on the conversation we're having and what
 15 specific items we would be talking about. 11:02:53
 16 Q. Here we have the phrase typed next
 17 to DV levels flat, "Impact of Graduate
 18 Reserve."
 19 Do you have any recollection of
 20 what that -- what the discussions were on that 11:03:07
 21 topic during this meeting as you sit here
 22 today?
 23 A. You mean the typed comment on the
 24 left-hand side?
 25 Q. Yes. 11:03:16

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1 A. No, I don't.
 2 Q. Pardon the pause, Mr. Buettner, but
 3 we're trying to make the day shorter.
 4 MR. RYAN: We will not object to
 5 that. 11:04:20
 6 MR. STROUP: Stipulated.
 7 Q. I'm handing you, Mr. Buettner, what
 8 we marked as Exhibit 4438. Is this the
 9 required communications letter from Coopers &
 10 Lybrand to the Board of Trustees at AHERF dated 11:04:45
 11 September 22nd, 1997?
 12 A. Yes.
 13 Q. Does this letter bear the Coopers &
 14 Lybrand signature penned by you?
 15 A. Yes. 11:05:01
 16 Q. Which I think you told us means
 17 that you read and approved it before it was
 18 sent?
 19 A. Yes.
 20 Q. Do you see under the heading 11:05:09
 21 Significant Audit Adjustments and Disagreements
 22 With Management, which appears at the second
 23 page of the letter, do you see those topics?
 24 A. Yes, yes.
 25 Q. Why is it today that you did not 11:05:25

22 (Pages 635 to 638)

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1 disclose the Graduate reserve transfers that
 2 you became aware of in late July or early
 3 August 1997 to the board in this letter under
 4 either of these headings?
 5 A. Well -- 11:05:45
 6 Q. Let me withdraw the question for a
 7 minute. Strike the today.
 8 What I mean to ask is why is it
 9 that you did not disclose to the board under
 10 either of these headings or in any other way 11:05:55
 11 the Graduate reserve transfers that you became
 12 aware of in July, late July or early August of
 13 1997?
 14 A. The disclosure requirements that
 15 are summarized, if you will, in this letter are 11:06:16
 16 presented in the auditing standards
 17 publications for the AICPA.
 18 When you go through this process of
 19 providing the board with specific information
 20 within the context of required communications 11:06:37
 21 with the audit committee, the items that you
 22 made reference to, significant audit
 23 adjustments and disagreements with management,
 24 relate to items that we would deem to be
 25 significant or material. 11:06:55

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1 The 50 million dollar transfer, as
 2 I testified to a little earlier today, in my
 3 opinion was not material. It had no impact on
 4 the consolidated financial statements of AHERF,
 5 and this letter refers to our audit of the 11:07:23
 6 consolidated statements of AHERF. No impact on
 7 key parameters or measurements within the AHERF
 8 system when you measure materiality. No impact
 9 on net unrestricted assets. No impact on
 10 working capital. No impact on total assets. 11:07:47
 11 I viewed the transfer as nothing
 12 more than a related party transaction that
 13 eliminated in consolidation.
 14 Q. You didn't -- let me try that one
 15 again. 11:08:04
 16 A couple headings up there's a
 17 section called errors, fraud or illegal act.
 18 Did you consider the transfer an
 19 error, these 50 million dollars' worth of
 20 transfers, an error, a fraud or an illegal act? 11:08:15
 21 MR. RYAN: Objection, compound.
 22 A. No.
 23 Q. Did you consider it an error?
 24 I apologize, sir, your counsel has
 25 made an objection, so I'm trying to make it 11:08:28

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1 clear.
 2 Did you consider the 50 million
 3 dollars of reserve transfers an error?
 4 A. I considered it a departure from
 5 GAAP which was immaterial to the -- to the 11:08:36
 6 consolidated financial statements of AHERF and
 7 did not view the transfer as an error as
 8 outlined within the statement and auditing
 9 standards definitions, if you will.
 10 Q. It was a departure from GAAP but 11:08:55
 11 not an error in your view?
 12 A. A material error.
 13 Q. Did you consider it fraud?
 14 A. No.
 15 Q. Did you consider it illegal or an 11:09:09
 16 illegal act?
 17 A. No.
 18 Q. Did you have a disagreement with
 19 management, in your view, over the propriety of
 20 the application of an accounting principle to 11:09:23
 21 the transaction, the transfers being the
 22 transaction?
 23 MR. STROUP: I'm sorry, could you
 24 repeat that question?
 25 A. Yes, you've got to help me on the 11:09:32

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1 question.
 2 Q. Let me help you by -- in this way.
 3 I think I'll address Steve's issue as well.
 4 I'm looking down with the
 5 disagreements with management -- to the 11:09:40
 6 disagreements with management portion of the
 7 letter.
 8 Are you with me?
 9 A. Yes.
 10 Q. It reads, "No disagreements with 11:09:49
 11 management arose during the audit with respect
 12 to the application of accounting principles to
 13 specific transactions."
 14 Do you see that language?
 15 A. Yes. 11:10:00
 16 Q. Did you believe that you had a
 17 disagreement with AHERF management about an
 18 application of an accounting principle to a
 19 specific transaction in light of the Graduate
 20 reserve transfers? 11:10:12
 21 A. Yes, but, if I can complete my --
 22 Q. Yes.
 23 A. The disagreements with management
 24 section here deals with material items. Every
 25 item that we would list on our SUD, if you 11:10:29

23 (Pages 639 to 642)

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<p style="text-align: right;">Page 667</p> <p>1 of fairness so that you know at least what 2 little bit I know about the document. 3 It has to do with the City Avenue 4 Hospital. 5 Do you know in which Obligated 11:56:34 6 Group the City Avenue Hospital existed at AHERF 7 in fiscal year 1997? 8 A. No, I would have to go back and 9 look at my notes to give you a definite answer. 10 I simply can't remember. 11:56:49 11 Q. Let me ask you to assume that it 12 was a Graduate hospital, one of the Graduate 13 hospitals as we've defined them. 14 A. That's fine. 15 Q. I think another word for those 11:57:04 16 hospitals that some people have used at AHERF 17 and in other places was the Centennial 18 Obligated Group. Do you remember that -- 19 A. Yes. 20 Q. -- that term Centennial being used 11:57:14 21 to refer to the former Graduate hospitals? 22 MR. RYAN: Objection. 23 A. For a certain group of the Graduate 24 hospitals, yes. 25 Q. Yes. 11:57:22</p>	<p style="text-align: right;">Page 669</p> <p>1 Q. You know, I've read that a few 2 times and I just see it now. Thank you. 3 Would you now look at the next 4 exhibit that I gave you, which I believe is 5 4123; is that right? 11:58:39 6 A. Okay. 7 Q. This, again, is a working paper 8 from the '97 audit relating to City Avenue, at 9 least by its header, is that right? 10 A. Yes. 11:58:49 11 Q. Now I would like you to look at the 12 second page of the document. Do you see under 13 Purchase Price Adjustments the document now 14 reads, "Additional bad debt reserve, 8 million 15 dollars"? 11:59:00 16 A. Yes. 17 Q. And that there may be other 18 changes, but at least that the document has 19 changed in one way, and that is the phrase for 20 DV A slash R has been removed? 11:59:15 21 A. Okay. 22 Q. Between the two exhibits? 23 A. Okay. 24 Q. Do you see that? 25 A. Yes, I do. 11:59:22</p>
<p style="text-align: right;">Page 668</p> <p>1 Which -- there was a hospital that 2 was in New Jersey that was not a part of the 3 Centennial Obligated Group? 4 A. I'm not sure if -- Rancocas was in 5 New Jersey. I'm not certain if it was a part 11:57:32 6 of the Obligated Group or not part of the 7 Obligated Group. 8 Q. Let me ask you to assume with me 9 that the City Avenue Hospital was at least one 10 of the former Graduate hospitals. 11:57:41 11 I'm going to ask you to look at the 12 second page of the document briefly. 13 Do you see there that someone has 14 typed into the work paper under Purchase Price 15 Adjustments as a header the phrase, "Additional 11:57:59 16 bad debt reserve for DV A slash R, 8 million 17 dollars," or 8 comma, 000, at least on this 18 document. Do you see that? 19 A. Yes, I do. 20 Q. The phrase, again, is additional 11:58:16 21 bad debt reserve for DV A slash R, is that 22 right? 23 A. Well, additional is misspelled, but 24 I think that's the point they're trying to 25 make. 11:58:28</p>	<p style="text-align: right;">Page 670</p> <p>1 Q. In fact, the spelling error carried 2 over, didn't it, into the second document? 3 A. Yes, it did. 4 Q. Sir, the first document, 4124, is 5 apparently dated as last modified August 13, 11:59:36 6 1997 by Mr. Carrabba. Is that accurate? 7 A. That's what this document 8 indicates, yes. 9 Q. And then this second document from 10 which the phrase for DV A/R has been erased 11:59:52 11 reads that it was last modified by Miss Porter 12 on 9-10-97, is that right? 13 A. Well, yes, it indicates that it was 14 completed by Tony Carrabba on 8-21-97 and last 15 modified by Christa on 9-10. 12:00:21 16 Q. Thank you. 17 A. So both of them apparently did 18 something to this document during that period 19 of time. 20 Q. Thank you. 12:00:29 21 Mr. Buettner, did you ever learn 22 that anyone on your engagement team had been 23 instructed to remove the language "for DV A/R" 24 from this work paper at any point in time? 25 A. No. 12:00:42</p>

30 (Pages 667 to 670)

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<p style="text-align: right;">Page 671</p> <p>1 Q. Did you ever yourself, sir, ask 2 anyone to remove this phrase from this work 3 paper? 4 A. No. 5 Q. Do you recall at any time during 12:00:48 6 1997 ever learning that anyone on your 7 engagement team had removed language from work 8 papers that might have revealed knowledge of 9 the transfer of reserves -- the transfer of 10 reserves from the Graduate hospitals or the 12:01:03 11 former Graduate hospitals to the DVOG 12 hospitals? 13 A. No, that transfer was documented in 14 numerous places within the work papers. 15 Q. Did you ever learn that anyone on 12:01:13 16 your engagement team had removed language to 17 hide the timing of knowledge of those reserve 18 transfers? 19 A. No. 20 Q. Did you ever learn that anyone gave 12:01:24 21 such an instruction? 22 A. No. 23 Q. I take it that you never did, sir? 24 A. No, I did not. 25 Q. I'm handing you, Mr. Buettner, a 12:01:46</p>	<p style="text-align: right;">Page 673</p> <p>1 diligence work would have been limited to 2 review of the documents prepared by the 3 engagement team, Mr. Elek's engagement team. 4 I don't remember reaching that 5 conclusion at all, and I did not perform 12:03:20 6 detailed steps in the due diligence area. 7 Q. Mr. Buettner, I'm going to hand you 8 now what was marked in an earlier deposition, 9 which is a large set of documents, but I really 10 only have a question about a few of them. It 12:04:16 11 is Exhibit 4248. If you could maybe take the 12 rubber band off of the document and put it to 13 the side, I'll try to work quickly through the 14 document before we break for lunch with you. 15 I will tell you, sir, that I 12:04:39 16 understand these to be a collection of accounts 17 receivable related work papers for the '97 18 audit from the files of Coopers & Lybrand. I 19 would like you to turn first with me to page 20 PwC 10307. It's toward the back of the 12:04:53 21 document, I'm led to believe. I have confirmed 22 that it is. 23 Are you with me? 24 A. Yes. 25 Q. This is a work paper regarding the 12:05:20</p>
<p style="text-align: right;">Page 672</p> <p>1 memo from Miss Frazier to Mr. Elek dated 2 November 12, 1996 and marked as Exhibit 4440. 3 Have you seen this document before 4 today? 5 A. I do not recall seeing this 12:02:07 6 document before, no, sir. 7 Q. You do recall Mr. Elek being 8 involved with you in AHERF due diligence work 9 in connection with the Graduate hospitals? 10 A. Yes, as I testified yesterday, 12:02:21 11 Mr. Elek was the partner on the Graduate due 12 diligence. I was the, I guess, the concurring 13 partner. 14 Q. Do you recall Mr. Elek or yourself 15 ever coming to the conclusion, during the due 12:02:33 16 diligence work on the Graduate hospitals, that 17 the Graduate hospitals had a need for 18 additional accounts receivable related 19 reserves? 20 A. I don't recall a discussion with 12:02:50 21 Mr. Elek regarding that. 22 Q. Do you recall concluding that 23 yourself during your Graduate due diligence 24 work? 25 A. My review of the Graduate due 12:03:07</p>	<p style="text-align: right;">Page 674</p> <p>1 Parkview Hospital, is that right? 2 MR. RYAN: I'm sorry, I'm not sure 3 the witness is ready. 4 Q. 10307? 5 A. I'm sorry, 103 has several -- 12:05:28 6 please bear with me. 306.A, B, C, D -- we've 7 gone through the entire alphabet, folks. 8 MR. RYAN: It's after L. 9 MR. JONES: I should have described 10 it that way, the page after 306L. 12:05:52 11 Q. Are you with me? 12 A. Yes, I am. 13 Q. This should be a face page that 14 says Parkview bad debt reserves at 6-30-97? 15 A. Yes. 12:06:02 16 Q. I ask you to turn to the very next 17 page, sir, which has a schedule regarding A/R 18 reserves for the Parkview Hospital? 19 A. Okay. 20 Q. Do you see that? 12:06:13 21 A. Yes. 22 Q. Do you see towards the bottom or 23 the mid portion, rather, of the page that this 24 hospital, a member of the former Graduate 25 hospitals, has a note in the work paper that 12:06:24</p>

31 (Pages 671 to 674)

<p style="text-align: right;">Page 699</p> <p>1 Q. The sums here are 35.2 million 2 dollars for 1997? 3 A. Yes. 4 Q. And 63.8 million dollars for 1996? 5 A. Yes. 13:29:02 6 Q. So the reserve is significantly 7 smaller in '97 as you have calculated it? 8 A. Yes. 9 Q. The next -- do you know where you 10 got that number? 13:29:12 11 A. Which number, sir? 12 Q. The 35.2 million dollar number. 13 A. That's the result of subtracting 14 the 95 million of charge-offs from the 130.2 15 million dollars mentioned above, which was the 13:29:27 16 combination of the beginning reserve plus 17 expense for the year. 18 Q. Skipping back up to the top of the 19 schedule for a moment, the '97 reserve figure 20 that we started at, or started off with for old 13:29:40 21 AHERF, the 63.8 million dollars, what was that 22 derived from, as a source, if you know? 23 A. It probably came from the June 24 30th, 1996 financial statements of AHERF. 25 Q. The acquired reserve row, which is 13:29:58</p>	<p style="text-align: right;">Page 701</p> <p>1 there meant to convey? 2 A. That's the 50 million dollars of 3 transfers that we've been talking about for the 4 last hour or so. 5 Q. Then you've summed the three 13:31:01 6 reserve figures, 35.2, 40 and 50 to come up 7 with 125.2? 8 A. 125.2, yes, sir. 9 Q. Then what does that 125.2 then 10 reflect other than the sum I just indicated it 13:31:20 11 reflects? 12 A. What I was trying to do is 13 determine if I had all of the key elements, if 14 you will, of the reserve number reflected on 15 the June 30th, 1997 AHERF consolidated balance 13:31:31 16 sheet. And that number is right below, 127.4. 17 So I was trying to determine the 18 makeup of the 127.4 without going back and just 19 looking at the client's trial balance or 20 general ledger so that if I had a question, for 13:31:53 21 instance, at the audit committee, I could 22 explain what the makeup of the 127.4 was in 23 global terms that an audit committee member, 24 for instance, would be interested in hearing 25 and not by entity or things of that nature. 13:32:08</p>
<p style="text-align: right;">Page 700</p> <p>1 about halfway down the page, do you see that? 2 A. Yes. 3 Q. The 40 million dollars that appears 4 to have been placed there originally, what was 5 that meant to reflect? 13:30:10 6 A. The bad debt reserve for the 7 acquired entities, Forbes, Allegheny Valley and 8 Graduate. 9 Q. It has a line through it? 10 A. Yes. 13:30:20 11 Q. Why is that, if you know today? 12 A. Because at some point in time after 13 I did the original computation, I learned that 14 it was really 41.5. 15 Q. You added the 41.5 next to the 40 13:30:30 16 at some subsequent time? 17 A. Yes. 18 Q. Do you know when in time you added 19 it? 20 A. September, October of '97. I can't 13:30:39 21 tell you specifically. 22 Q. Then the next row reads, 23 "Graduate." You have 50 million dollars there. 24 A. Yes. 25 Q. What is the 50 million dollars 13:30:51</p>	<p style="text-align: right;">Page 702</p> <p>1 Q. Then you've got a section of the 2 schedule towards the bottom of the page headed 3 makeup. 4 A. Yes. 5 Q. Do you see that? 13:32:18 6 A. Yes. 7 Q. What were you doing in the makeup 8 section of the schedule? 9 A. What I was attempting to do is 10 evaluate, was evaluate what, absent the 50 13:32:30 11 million dollar transfer, what number I would 12 expect to see on the caption Allowance for 13 Uncollectibility Accounts. 14 Q. For what enterprise or set of 15 enterprises? 13:32:43 16 A. For AHERF, consolidated AHERF for 17 June 30, 1997. 18 Q. You've written beneath makeup the 19 words, "Acquired Forbes"? 20 A. Yes. 13:32:55 21 Q. "2.9"? 22 A. Yes. 23 Q. What does that reflect? 24 A. My understanding, that was a bad 25 debt reserve for Forbes as of June 30, 1997. 13:33:01</p>

38 (Pages 699 to 702)

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1 Q. Where did you get that figure?
 2 A. Amy Frazier would have given me
 3 that number.
 4 Q. The next row reads, "AVH 1.1."
 5 What does that reflect? 13:33:13
 6 A. The same descriptor as with Forbes,
 7 the bad debt reserve for AVH as of June 30,
 8 1997.
 9 Q. Again, Amy was the source?
 10 A. Yes. 13:33:24
 11 Q. And then it says, "Grad 36
 12 million"?
 13 A. Yes.
 14 Q. What does that figure represent?
 15 A. The same as the other two, that's 13:33:30
 16 the bad debt reserve for Graduate as of June
 17 30th, 1997.
 18 Q. The source is the same?
 19 A. Yes.
 20 Q. You have summed them to roughly 40 13:33:38
 21 million dollars?
 22 A. Yes.
 23 Q. That's the next row?
 24 A. Yes.
 25 Q. Beneath that you have written the 13:33:44

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1 words, "Old AHERF dash G slash L," and the
 2 number "35.2." What does that entry mean?
 3 A. Well, that's the 35 million dollars
 4 that I calculated above.
 5 Q. It's a bring-down, if you will? 13:34:00
 6 A. Yes, yes. I've never heard that
 7 term, but, yes, I would agree with that.
 8 Q. I may have just coined it.
 9 MR. RYAN: I like it.
 10 A. By the way, the 40 is a bring-down, 13:34:10
 11 if you will, from up above.
 12 Q. I guess it is. Thank you.
 13 The row next or just below old
 14 AHERF G slash L reads, "Other reserves, 22.5."
 15 What does that reflect? 13:34:25
 16 A. That's a number that I calculated
 17 based on discussions with Amy. I believe the
 18 detail of that would sit on the next page,
 19 which is Bates 36439.
 20 Q. Which part of the next page is the 13:34:42
 21 detail found -- on which part of the next page
 22 is the detail found?
 23 A. About halfway -- a little more than
 24 halfway down the page you'll see a caption
 25 called Bad Debt and then -- do you see that? 13:34:53

Page 705

1 Q. Yes, I do.
 2 A. Right below that there are three --
 3 three lines, then a subtotal, then a fourth
 4 line.
 5 Q. Yes. 13:35:03
 6 A. So it's a combination of the excess
 7 CRA of ten, excess C/A of 9.8, legal reserves,
 8 1.7, and SCHC collection of one. I believe if
 9 you add those up, you'll come close to 22.503.
 10 Q. You received these figures that 13:35:29
 11 you've just read to us as excess CRAs -- excess
 12 C/A's --
 13 A. Yes.
 14 Q. -- legal reserves and SCHC
 15 collection figures from Miss Frazier? 13:35:41
 16 A. Yes, for the most part, yes.
 17 Q. Do you recall receiving that
 18 information from any other source?
 19 A. The legal reserve I may have gotten
 20 off of the general ledger when I was doing my 13:35:53
 21 review out in the field. I can't remember if
 22 Amy gave me that or if I had that from other
 23 notes.
 24 Q. Do you recall any communications
 25 with Miss Frazier about why she believed that 13:36:02

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1 any of these CRAs or C/A amounts were excess?
 2 A. It was based on our assessment,
 3 apparently, of the review that we had performed
 4 in that area.
 5 As we have discussed over the last 13:36:22
 6 couple of days, it wasn't unusual for the
 7 organization to have reserves sitting in the
 8 receivable area for contractuals or CRAs that
 9 at some point in time they no longer needed.
 10 When I met with her during the 13:36:40
 11 year-end phase of our engagement, she informed
 12 me of the existence of these accounts or these
 13 amounts.
 14 Q. Did she tell you why she thought
 15 they were excess? 13:36:51
 16 A. We may have had some general
 17 discussion about it, but I don't recall right
 18 now.
 19 Q. Next to the line excess CRA and the
 20 10 million dollar figure that appears next to 13:37:02
 21 it, you've got DVOG in parentheses with a
 22 question mark. Am I right?
 23 A. Well, I have DVOG. I'm not sure if
 24 that's a question mark or not, but --
 25 Q. Do you know what you meant to 13:37:15

39 (Pages 703 to 706)

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1 convey by DVOG and whatever mark appears next
2 to it?

3 A. Well, my understanding is that the
4 majority of the CRA -- the excess CRA sat in
5 the Delaware Valley and the amount -- that 13:37:26
6 there was a nominal amount at AGH.

7 Q. Beneath that parenthetical there's
8 another parenthetical on the same row as the
9 phrase, "Excess C slash A, 9.8 million." Am I
10 right? 13:37:44

11 A. Yes.

12 Q. C slash A to you means contractual
13 allowance?

14 A. Yes.

15 Q. What does it mean -- what did you 13:37:53
16 mean when you wrote .8 million dollars AGH and
17 9 million dollars DVOG in that parenthetical?

18 A. That was my understanding as the
19 source of those two -- of the 9.8. 800,000
20 came from AGH. 9.0 came from the Delaware 13:38:13
21 Valley.

22 Q. This was an understanding derived
23 from a conversation with Miss Frazier?

24 A. Yes, an earlier conversation during
25 the course of the audit. 13:38:24

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1 Q. Let me ask you now to flip back
2 with me to the prior page, which ends in the
3 Bates digits 438.

4 How, again, did you derive the 97.7
5 million dollar figure which appears just below 13:38:43
6 the figure for other reserves that we've been
7 discussing of 22.5 million dollars?

8 A. You're asking on the 97.7 million?

9 Q. Yes, how is that figure arrived at?

10 A. That's the summation of the 40, the 13:38:56
11 75 and the 22.

12 Q. The 40, the 75 and the 22?

13 A. I'm sorry, I'm adding it as I'm
14 going. The 40 -- the 35 and the 22.

15 Q. What import did that figure have 13:39:18
16 for you, if any, at the time?

17 A. Well, the number on the financial
18 statements that the client had prepared was 127
19 million, the number for allowance for
20 uncollectible accounts. 13:39:33

21 As part of my assessment, I wanted
22 to evaluate if that number should change. So I
23 went ahead and went through my own evaluation
24 or assessment as to exactly what was, in my
25 opinion, sitting in bad debt reserve absent the 13:39:54

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1 50 million dollars. I came up with roughly 98
2 million.

3 Then I sat down and I said, okay,
4 what other items of import relate to some sort
5 of either patient receivable or CRA or other 13:40:09
6 third-party issues.

7 You can see that there were three
8 items listed there which got me to 130 million.
9 I'm sitting here saying it's in the ballpark,
10 so I would not necessarily have a problem with 13:40:28
11 the number 127 being presented on the balance
12 sheet.

13 Q. The reserves listed below 97.7 have
14 these descriptors, am I right, "Graduate,
15 deferred rev"? 13:40:46

16 A. Yes.

17 Q. "14 million dollars"?

18 A. Yes.

19 Q. Then you've written in the
20 corner -- or next to that, rather, in 13:40:49
21 parentheses, "QualMed dash DMC, close paren"?

22 A. Yes.

23 Q. What does that mean, that row?

24 A. Well, the deferred revenue on
25 Graduate related to a QualMed contract. The 13:41:06

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1 client decided to write the deferred revenue
2 off into income. We disagreed with that
3 treatment. We believed that it belonged on the
4 balance sheet.

5 I believe my staff placed that 14 13:41:23
6 million on the SUD for evaluation as a
7 misapplication or a misstatement, if you will.
8 And the deferred revenue, other people were
9 calling it QualMed within the organization, so
10 I just wrote that down and I wanted to remind 13:41:45
11 myself that this is something I wanted to talk
12 to McConnell about.

13 Q. Did you?

14 A. Yes, I had a brief conversation. I
15 can't say it lasted more than 15 seconds, 13:41:55
16 though, to be honest with you.

17 Q. What did you -- what was said in
18 those very few seconds?

19 A. That basically the QualMed deferred
20 revenue was written off and we didn't think it 13:42:08
21 should be written off.

22 Q. What did he say, if anything?

23 A. I think I also told him we put it
24 on our SUD and he said fine.

25 Q. What do you recall about why you, 13:42:21

40 (Pages 707 to 710)

Page 723

1 Q. A hando, perhaps?
 2 A. Yes.
 3 Q. What is the formula reserve figure,
 4 where did you derive it from?
 5 A. As I indicated, when I was out in 13:55:36
 6 the field in late August with the engagement
 7 team, I wanted to go through my own assessment
 8 of the reserve needs for what I considered to
 9 be old AHERF and also so that I could
 10 understand the impact that the client actions 13:55:49
 11 had on -- numerous client actions and
 12 receivables on the agings and things of that
 13 nature.
 14 So basically I sat down in the
 15 cubicle and I guess similar to 1997, although 13:56:01
 16 not as bad, I had them provide me with
 17 information similar to what Brian had provided
 18 me in '96.
 19 I went through my own review of the
 20 old AHERF aging and basically put together a 13:56:17
 21 consolidated aging schedule on a sheet of paper
 22 similar to the tablet you're writing on right
 23 now, Mr. Jones.
 24 Q. All right.
 25 A. Broke it out by 13:56:36

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1 inpatient/outpatient. Went through age
 2 buckets, 0 to 30, 30 to 60, similar to what you
 3 would see on an aging schedule.
 4 Then went through a calculation of
 5 what I felt the reserve requirements would be 13:56:50
 6 by basically using what I would call AGH loss
 7 percentages or percentages that AGH had used in
 8 their methodology in previous years or averages
 9 if those percentages were detailed -- so
 10 detailed because I didn't have the level of 13:57:08
 11 detail that the AGH method had. And I came up
 12 with a number. And that number, I believe, was
 13 77, but it could have been 79. I can't
 14 remember. So I had these sheets. I held on to
 15 those sheets. At the end -- and went through 13:57:24
 16 this type of exercise out in the field with the
 17 staff on 439.
 18 As I left that day, I told Amy that
 19 I was comfortable with the level of bad debt
 20 reserve that existed at old AHERF. 13:57:46
 21 Q. When you left what day, sir?
 22 A. The day I performed this formula
 23 review, if you will, on my own.
 24 Q. Which wasn't the same day as you
 25 prepared this schedule marked as a part of 13:57:54

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1 Exhibit 4473?
 2 A. Yes, I think I've testified to
 3 that, yes.
 4 Q. It was the same day?
 5 A. It was not the same day. 13:58:01
 6 Q. All right, thank you, go ahead.
 7 How far in advance?
 8 A. It could have been three weeks to a
 9 month.
 10 So I told Amy that I had reached a 13:58:14
 11 conclusion that the reserves for old AHERF
 12 based on my assessment, the reserves were
 13 adequate, and that the 50 million dollar issue
 14 was really a transfer of reserve issue problem
 15 and not an issue of reserve and adequacy at old 13:58:32
 16 AHERF, if you will, or something that could
 17 impact the income statement.
 18 And I took -- I had the underlying
 19 information, my notes, if you will, in my
 20 folder, AHERF folder. And when it came time 13:58:52
 21 for me to prepare for the audit committee
 22 meeting and collect vital information or
 23 information I felt was vital in case of
 24 questions from the audit committee, I took that
 25 information, sat down and attempted to 13:59:05

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1 summarize it. I summarized it basically on
 2 this sheet of paper that you see here.
 3 Q. Which is page 439?
 4 A. 439.
 5 So the formula reserve is really 13:59:15
 6 one number that is -- that would summarize
 7 probably five, six, seven detailed pages of
 8 work that I had done in terms of just looking
 9 at aging schedules and things of that nature.
 10 Q. Do you have those sheets or pages 13:59:33
 11 anymore, sir?
 12 A. No, I do not.
 13 Q. Do you know whether they have ever
 14 been made available to either my law firm or
 15 the SEC? 13:59:44
 16 MR. RYAN: Objection.
 17 A. No. I know they have not because
 18 I, quite frankly, I pitched them once I
 19 prepared this schedule. I felt that I never
 20 had a need for them. 13:59:53
 21 Q. Let me ask you to tell me, if I'm
 22 right, in the way that I read the next row on
 23 this schedule. It says, "IBC slash Oxford."
 24 Then I can't read the next word.
 25 A. "HMO." 14:00:09

44 (Pages 723 to 726)

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1 Q. Then beneath that, "cash flow"?
 2 A. Yes.
 3 Q. And then the figure 9.0 million
 4 dollars in brackets?
 5 A. Yes. 14:00:18
 6 Q. What does that entry refer to?
 7 A. Well, based on my discussions with
 8 AHERF management, specifically McConnell, I
 9 guess, I had heard comments periodically that
 10 both IBC, Independence Blue Cross, as well as 14:00:36
 11 Oxford Health, which is an HMO, were being
 12 difficult in terms of reimbursement of AHERF
 13 claims in the eastern portion of the state and
 14 that it was his sense that they were using
 15 AHERF as a means of improving their own cash 14:00:58
 16 flow, simply slowing down payment.
 17 Q. Did you -- I'm sorry, did you hear
 18 this from any other source besides Mr.
 19 McConnell?
 20 A. Well, that's what I was going to 14:01:09
 21 get to.
 22 Q. Okay. Then go ahead.
 23 A. So what I did at some point during
 24 the later phases of the '97 audit, I remember
 25 running into a healthcare partner in the 14:01:22

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1 Philadelphia office by the name of Glenn
 2 Schively. And I asked Mr. Schively if he had
 3 heard any stories about either Independence
 4 Blue Cross or Oxford being very slow to pay in
 5 terms of patient claims with healthcare 14:01:38
 6 providers. He told me that he had, that it was
 7 apparently a comment that a number of his -- a
 8 number of his Philadelphia clients had.
 9 Mr. McConnell also told me at
 10 another meeting that AHERF management was 14:01:51
 11 considering some sort of global settlement, if
 12 they could reach one, with either Oxford or
 13 Independence Blue Cross. I believe his
 14 comments were geared more towards Oxford than
 15 IBC, but that's my recollection today. 14:02:09
 16 Basically that they were going to
 17 go to the third-party payors and say, look, you
 18 owe us a certain sum of money. We're running
 19 into a lot of problems with detailed claims.
 20 Why don't we try to negotiate some sort of 14:02:23
 21 overall settlement on those detailed claims to
 22 arrive at an amount that we could be paid and
 23 basically we would provide some sort of
 24 discount.
 25 So based on that information, I 14:02:35

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1 took a look at the aging, if you will,
 2 schedules that I had put together, tried to
 3 pull out Independence, Blue Cross and Oxford.
 4 And based on the agings that I had seen, a lot
 5 of receivables were being reserved at 75 14:02:53
 6 percent.
 7 So I basically said, well, if
 8 they're going to go through this global
 9 settlement and we know that they're slow in
 10 terms of their overall pay, reserving them at 14:03:04
 11 75 percent really doesn't make sense, in my
 12 formula, so I'm going to reduce that to 30
 13 percent. And that's the impact of that change
 14 in loss reserve, if you will, is the 9 million
 15 dollars. 14:03:18
 16 Q. That's reflected, at least in part,
 17 on the same row where you've written 30 percent
 18 versus 75 percent?
 19 A. Yes. Yes.
 20 Q. The next row is unapplied -- do 14:03:27
 21 these conversations with Mr. McConnell and
 22 Mr. Schively all predate your writing these
 23 notes on page 439?
 24 A. Yes.
 25 The conversations with McConnell on 14:03:41

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1 the Oxford Health would be both before and
 2 after my preparation of this document.
 3 Q. All right.
 4 A. Because I believe that topic also
 5 came up at the October audit committee meeting. 14:03:53
 6 Q. On unapplied cash, you have a
 7 figure of 1.9 million dollars in brackets and a
 8 parenthetical next to it of 3.8 million at 50
 9 percent?
 10 A. Yes. 14:04:07
 11 Q. What does that entry mean?
 12 A. The unapplied cash that existed
 13 within the old AHERF system at the end of 1997
 14 was about 3.8 million dollars. So I simply
 15 provided -- took a 50 percent factor and said 14:04:22
 16 that some portion of this unapplied cash
 17 relates to receivables that I'm establishing a
 18 reserve on and those receivables have already
 19 been paid, so it's inappropriate to establish a
 20 reserve on paid receivables. 14:04:37
 21 So I reduced my reserve projection
 22 or requirement by 1.9 million dollars.
 23 Q. So the 9 million and the 1.9
 24 million both act to reduce the reserve
 25 projection you had calculated? 14:04:51

45 (Pages 727 to 730)

William F. Buettner

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1 A. Yes.
 2 Q. That left you with the next row,
 3 which reads, "Needed, 66.2 million dollars"?
 4 A. Yes.
 5 Q. That's just a mathematical 14:04:58
 6 difference?
 7 A. Correct.
 8 Q. We've talked about the middle
 9 portion of the page, I believe, a few moments
 10 ago. Am I right? 14:05:08
 11 A. Yes.
 12 Q. The bottom portion of the page is
 13 another schedule that starts with the line --
 14 or the row, rather, "Old slash A slash R, 239.1
 15 million dollars." Is that right? 14:05:27
 16 A. Correct.
 17 Q. That's a bring-down from the top of
 18 the page as we've defined it today?
 19 A. Yes.
 20 Q. Then it says, "Collections, 150.8 14:05:31
 21 million."
 22 A. Yes.
 23 Q. What does that line represent?
 24 A. Subsequent collections as of a
 25 specific date that the staff -- the staff had 14:05:41

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1 given me a number.
 2 Q. The staff person here is Miss
 3 Frazier?
 4 A. It probably was Amy. I can't
 5 remember exactly. 14:05:48
 6 Q. So that leaves you with a
 7 difference there of 88.3 million dollars, which
 8 is the next figure?
 9 A. Yes.
 10 Q. And then you've got a reserve item 14:05:56
 11 of 58.0 million dollars, which appears just
 12 below the 88.3 million?
 13 A. Yes.
 14 Q. What does that -- what is that
 15 intended to reflect? 14:06:07
 16 A. That's my assessment of the
 17 reserves for bad debt, reserves sitting on the
 18 balance sheet designated for bad debt. And the
 19 makeup of that is right above. It's the 57.7
 20 that we had talked about earlier. 14:06:23
 21 Q. Which enterprises is that reserve
 22 drawn from?
 23 A. Old AHERF.
 24 Q. Then you've got a net of 30.3
 25 million dollars? 14:06:29

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1 A. Yes.
 2 Q. Then it says, "To be collected
 3 SEPT"?
 4 A. Yes.
 5 Q. What does that mean? 14:06:36
 6 A. To be collected dash September. I
 7 don't know exactly why I wrote that there, but
 8 it's there.
 9 Q. Did you ever come to learn that you
 10 made a mistake by listing the 58 million dollar 14:06:47
 11 reserve there where it is listed on the page?
 12 A. The calculation is wrong. It's a
 13 mistake.
 14 Q. Why is it?
 15 A. Well, the old AHERF number of 239 14:07:02
 16 is net of the bad debt reserve, so I'm
 17 basically taking a reserve out twice. So it's
 18 just wrong.
 19 Q. What should be the figure that you
 20 arrive at, the accurate figure? 14:07:15
 21 A. It would be closer to 90 million
 22 dollars. Or somewhere around there. I'm
 23 just --
 24 Q. What --
 25 A. I'm just estimating. But somewhere 14:07:24

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1 around 90 million.
 2 Q. What does that 90 million then
 3 represent?
 4 A. That would be the amount of
 5 receivables not yet collected and not reserved 14:07:33
 6 for.
 7 Q. On the right-hand part of the page
 8 you've written the word -- well, let me ask you
 9 what word that is that starts just to the left
 10 of the figure 8.5 million dollars. What is 14:08:26
 11 that word?
 12 A. A difference.
 13 Q. What is that difference, the 8.5
 14 million dollars? What does that represent?
 15 A. Principally the difference between 14:08:36
 16 the 66.2 and the 57.7.
 17 Q. The 57.7 is reflective of what
 18 again?
 19 A. My assessment of the reserves
 20 available in old AHERF for bad debts as of June 14:08:49
 21 30th, 1997.
 22 Q. And you've written the word -- the
 23 two letters OK next to that?
 24 A. Yes.
 25 Q. Do you know what you meant to 14:08:58

46 (Pages 731 to 734)

DEPOSITION ERRATA SHEET

RE: THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION VS.
PRICEWATERHOUSECOOPERS, L.L.P.

I, William F. Buettner, wish to make the following amendments, additions, deletions or corrections to my deposition(s) given on the days of June 22nd, June 23rd and June 24th, 2004, for the following reasons. I have signed my name to the errata sheet and authorize you to attach it to the original transcript.

June 22, 2004

<u>Page/Line#</u>	<u>Amendment</u>	<u>Reason for Amendment</u>
30: 4, 6	"Janet" should be "Jeannette"	Error
50:8	"error" should be "area"	Error
58:8	"financial" should be "executive"	Error
145:6	"access" should be "assess"	Error
145:13	"to" should be the "the"	Error
176:3	"be considered" should be "consider"	Error
176:5	"for" should be "from"	Error
190:2	"influenced" should be "influence"	Error
191:23, 24	"Envision" should be "Invision"	Error
264:15	"increase" should be "decrease"	Clarification

June 23, 2004

323:7	"?" should be "."	Error
345:4	"Mr. Ryan" should be "Mr. Jones"	Error
349:12	"Allegheny" should be "Delaware"	Clarification
370:18	"a discounting" should be "this accounting"	Error
397:24	"measurability" should be "materiality"	Error

463:25	"imply" should be "apply"	Error
464:18	"Greg Guy" should be "bright guy"	Error
472:12 & 24	"Lyden" should be "Lydon"	Error
484:22	"15.5" should be "13.5"	Error
539:18	"Called" should be "Call"	Error

June 24, 2004

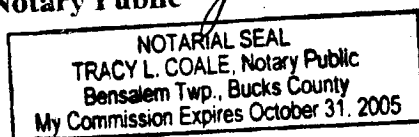
658:19	"ADP" should be "EDP"	Error
659:7	"ADP" should be "EDP"	Error
717: 13	Should read "charge-offs, or bad debt expense"	Clarification
718:15-16	Should read "It's the total bad debt expense of consolidated AHERF for fiscal years 1996 and 1997." (See my January 17, 2003, deposition before the SEC, pg. 61.)	Clarification
723:15	"1997" should be "1996"	Clarification
728:2	"Schively" should be "Shively"	Error
745:21	"it" should be "I"	Error
748:5	Should read "draft audited financial statements"	Clarification
794:21	"?" should be "."	Clarification
812:7	"Gumberd" should be "Gumberg"	Error
831: 10	"Marty" should be "Marne"	Error

In all other respects, the transcript is true and correct.

Wm F. Buttner
Signature

Subscribed and sworn to before this 27th day of July, 2004.

Tracy L. Coale
Notary Public



Cahouet Dep.

In The Matter Of:

***AHERF v.
PRICEWATERHOUSECOOPERS, L.L.P.***

FRANK V. CAHOUE

March 5, 2004

LEGALINK MANHATTAN

420 Lexington Avenue - Suite 2108

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CAHOUE, FRANK V.



FRANK V. CAHOUE

<p style="text-align: right;">Page 46</p> <p>1 A. I'm trying to be specific. I can't say that I</p> <p>2 specifically knew that they had a strategy of</p> <p>3 acquiring physician practices.</p> <p>4 Q. Do you recall anyone saying that AGH would get</p> <p>5 more patients because AHERF was acquiring</p> <p>6 physician practices and the physicians would</p> <p>7 then refer more patients to AGH?</p> <p>8 A. I understand the concept, but I don't recall</p> <p>9 any specific conversations like that, no.</p> <p>10 Q. Do you recall prior to January 5th, 1998, AHERF</p> <p>11 having a plan to enter into something called</p> <p>12 risk contracts?</p> <p>13 - - - -</p> <p>14 (There was a discussion off the record.)</p> <p>15 - - - -</p> <p>16 THE WITNESS: Risk contracts?</p> <p>17 BY MR. FRIESEN:</p> <p>18 Q. Right.</p> <p>19 A. No.</p> <p>20 Q. That word's not --</p> <p>21 A. I don't understand the term.</p> <p>22 Q. Do you recall that at some point in time, and</p> <p>23 again this is before you were on the AHERF</p> <p>24 board, that AHERF acquired hospitals in the</p> <p>25 Graduate Health System? Do you remember</p>	<p style="text-align: right;">Page 48</p> <p>1 Q. Mr. Cahouet, do you remember at any time before</p> <p>2 or after the bankruptcy discussing the Graduate</p> <p>3 acquisition with anyone related to AHERF?</p> <p>4 A. No.</p> <p>5 Q. Let me show you a document that I'm going to</p> <p>6 mark as Exhibit 2385.</p> <p>7 - - - -</p> <p>8 (Deposition Exhibit No. 2385 marked</p> <p>9 for identification.)</p> <p>10 - - - -</p> <p>11 MR. FRIESEN: This is a document</p> <p>12 Bates numbered FVC 01568 through 72, and it's a</p> <p>13 letter from Sherif Abdelhak to the members of</p> <p>14 the Allegheny boards of trustees dated</p> <p>15 August 8th, 1996.</p> <p>16 Just take your time to read through</p> <p>17 this document, if you will.</p> <p>18 - - - -</p> <p>19 (The witness reviewed the document.)</p> <p>20 - - - -</p> <p>21 THE WITNESS: Go ahead.</p> <p>22 BY MR. FRIESEN:</p> <p>23 Q. This has one of those stamps again that says</p> <p>24 received with your name?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 47</p> <p>1 anything about that?</p> <p>2 A. Are you talking about Hahnemann?</p> <p>3 Q. No, Graduate. Hahnemann was in 1993, and</p> <p>4 Graduate was in 1996, if that's helpful.</p> <p>5 MR. COGAN: Objection.</p> <p>6 THE WITNESS: No.</p> <p>7 MR. RESTIVO: When you get to a</p> <p>8 natural break, let's take a five-minute break.</p> <p>9 MR. FRIESEN: Okay. Let me sort of</p> <p>10 ask you a few questions about Hahnemann since</p> <p>11 you've brought it up, and then we can take our</p> <p>12 break.</p> <p>13 What do you remember, if anything,</p> <p>14 about the acquisition of Hahnemann?</p> <p>15 THE WITNESS: I don't remember.</p> <p>16 MR. FRIESEN: All right. Why don't</p> <p>17 we take a break.</p> <p>18 THE VIDEOGRAPHER: We are going off</p> <p>19 the record at 10:44.</p> <p>20 - - - -</p> <p>21 (There was a recess in the proceedings.)</p> <p>22 - - - -</p> <p>23 THE VIDEOGRAPHER: We are back on the</p> <p>24 record at 10:53.</p> <p>25 BY MR. FRIESEN:</p>	<p style="text-align: right;">Page 49</p> <p>1 Q. Do you recall receiving this?</p> <p>2 A. No. I don't recall receiving it. I'm not</p> <p>3 saying I didn't, but I don't recall receiving</p> <p>4 it.</p> <p>5 Q. Is this file handwriting, is that your</p> <p>6 handwriting?</p> <p>7 A. Yeah. That looks like it.</p> <p>8 Q. Do you think that the underlining would be</p> <p>9 yours?</p> <p>10 A. I think so.</p> <p>11 Q. And is it your practice when you receive a</p> <p>12 document that you sometimes underline things in</p> <p>13 the document when you read them?</p> <p>14 A. Sometimes.</p> <p>15 Q. Now, in 1996 when you were chairman, president,</p> <p>16 and CEO of Mellon Bank, I take it that there</p> <p>17 would be a lot of documents that come over your</p> <p>18 desk every day. Is that fair to say?</p> <p>19 A. Not really, not a lot of documents.</p> <p>20 Documents. Describe a document just</p> <p>21 so --</p> <p>22 Q. Well, letters, memos, correspondence, things</p> <p>23 like this.</p> <p>24 A. Yes.</p> <p>25 Q. I mean, would it be in the hundreds or --</p>

13 (Pages 46 to 49)